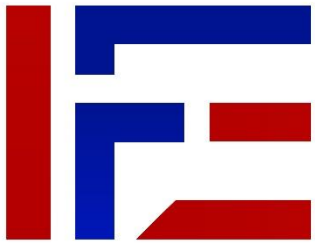


# Budgeting, Credit and Life Events



THE INSTITUTE FOR FINANCIAL EDUCATION  
A NON PROFIT ORGANIZATION

# PREPARING FOR LIFE EVENTS

- Job Transition:
  - Change/Lose Job
- Financial Market Changes:
  - Corrections/Recession/Bear Markets
- Emergencies:
  - Health
  - Major Repairs
  - Lawsuit
  - Accidents

# IMPORTANCE OF FINANCIAL FITNESS

- **Preparedness:**
  - Emergencies:
    - Health
    - Accident
    - Major Repairs
    - Pets
- **Job Loss**
  - Unemployment Resources
  - Economic Development
- **Improved Credit**
  - Purchasing Power
  - Home Buying
  - Lower Interest Rates
- **On the RIGHT side of Interest**
- **Long Term Planning:**
  - College
  - Retirement
  - Long Term Care
  - Estate Planning
- **Stress:**
  - Financial Stability is Less Stressful
  - Focus on other things

# A GOAL WITHOUT A PLAN IS JUST A WISH

- A Financial Plan is imperative to your overall financial well being and is critical for LONG-TERM success
- A plan includes:
  - Budget – Understanding cash flow needs
  - Debt Reduction – Getting on the right side of interest
  - Improving Credit
  - Saving/Investing for Retirement
  - Estate Planning – Wills/Trusts/Longevity Planning etc.
- Today we will focus on taking the first steps into creating a long-term plan

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# #1 SET A FINANCIAL GOAL

- Find a financial mentor or coach
- A financial goal is a way of keeping track of how you're doing, just like a scoreboard
- You should set at least 3 types of goals:
  - Short-term – monthly
  - Mid-term – 6 months to 1 year
  - Long-term – 5 to 10+ years



It is very important to  
**write down your goals**  
and put them where you can  
read them every day!



## #2 CALCULATE YOUR PROFIT

- **Gross income:** income before taxes
- **Net income:** actual amount of money received after state, federal, social security and other taxes have been taken out
- **If-come:** doesn't count

$$\begin{array}{r} \textit{Net Income} \\ - \textit{Expenses} \\ \hline = \textit{Profit} \end{array}$$



# #3 CREATE A BUDGET

- **Budget:** a **step-by-step** plan to help you reach your goals
- Track **all** expenses
- Categorize expenses
- Evaluate your spending
  - Figure out where you can **reduce** your spending



▶▶▶ You need to be living on **70-75%** of your net income

## #4 UNDERSTANDING INTEREST

- “Compound interest is the 8<sup>th</sup> wonder of the world. He who understands it, earns it; he who doesn’t, pays it.” – **Albert Einstein**
- Interest - money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt
  - Those who **OWE** pay it....Those who **OWN** earn it
- The average rate of return of the stock market from 1999-2019 was Approx. 6.25% \*
- You can GAURUNTEE yourself a 15% Rate of Return
  - The average credit card interest rate in America for 2019 was 15.09%
- Where is your money best spent?
- Pay your Debt! Increase Cash Flow!

\*Source: SP500 Annual Returns

#Source: CreditKarma

# #5 ROLL-DOWN DEBT REDUCTION

1. Pay yourself first – Emergency Fund
2. Make a list of all debts
3. Sort debt by lowest balance owed
4. Review your plan with a mentor
5. Pay off, or as much as you can, the smallest debt first
6. Pay the minimum payment on larger debts
7. Repeat steps 5 & 6, snowball method, until you're debt free
8. Feel confident as you pay things off



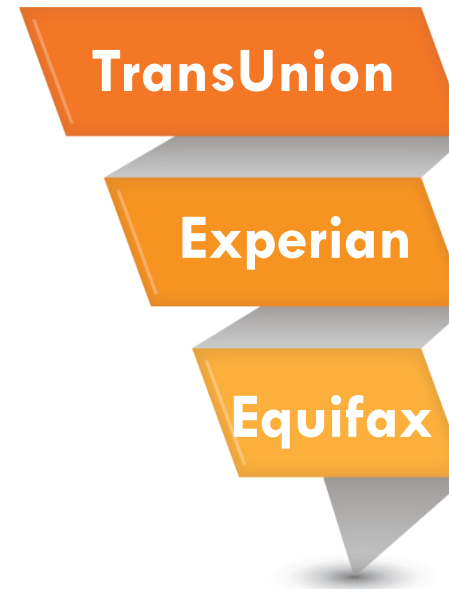
**debts**

# #6 TIPS ON PAYING OFF DEBTS AND INCREASING CASH FLOW

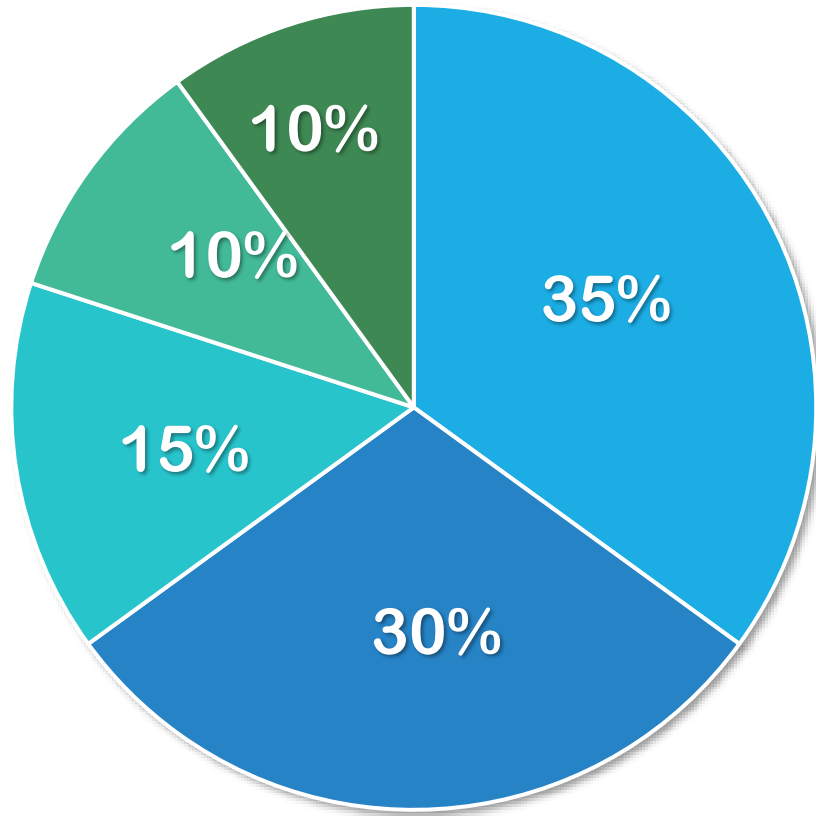
- Consider leveraging of Assets:
  - 401K Loans – Be Careful!
  - Cash Back Re-Finance of Home
    - Rates are at all time lows
- Utilize Roll-Down Debt Reduction
- Look at Zero-Transfer Credit Cards
- Reduce 401k Contributions to the Match
- You have to get SOME traction – Consider dipping into emergency fund

# #7 IMPROVE AND UNDERSTAND YOUR CREDIT

- Credit Report
  - Personal Information
  - Account Information
  - Inquiries
  - Collections
  - Public Record Information
  - Creditor's Contact
  - Retrieve at:
    - [www.annualcreditreport.com](http://www.annualcreditreport.com)



## #8 HOW CREDIT IS MEASURED



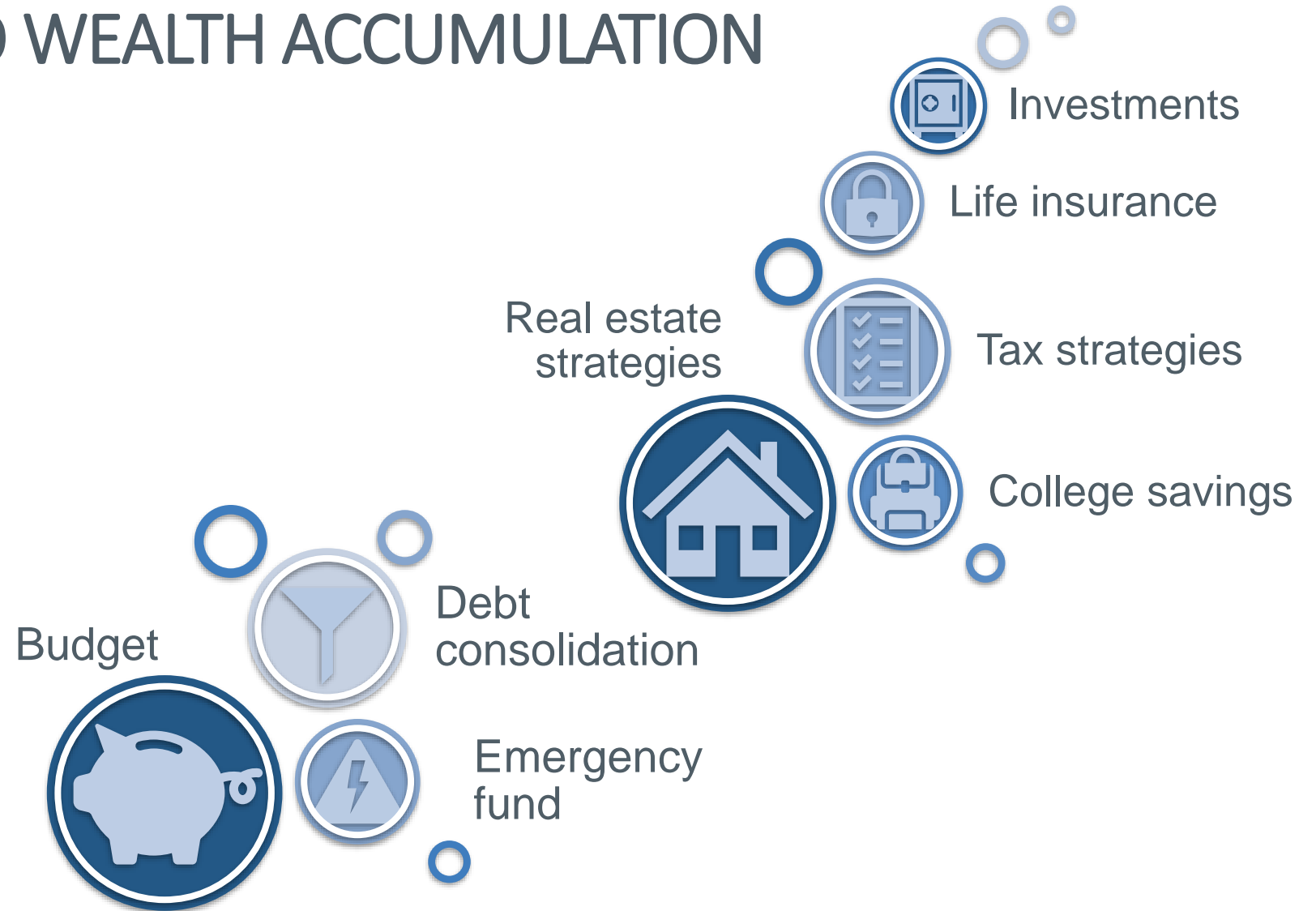
- Payment history
- Amounts owed
- Length of credit history
- New credit
- Types of credit used

# #9 TIPS ON CREDIT BUILDING

- Watch those credit card balances
  - Optimum 30%
- Eliminate credit card balances
  - Consolidate spending
- Leave old debt on your report
  - Oldie but a goodie
- Use your calendar
  - Rate shopping 15-45 days
- Pay bills on time



# #10 THE PATH TO WEALTH ACCUMULATION



# RESOURCES

## Books

- *Age-Proof: Living Longer Without Running Out of Money or Breaking a Hip*
  - Jean Chatzky
- *Rich Dad, Poor Dad*
  - Robert Kiyosaki
- *The Total Money Makeover*
  - Dave Ramsey
- *Why Didn't They Teach Me This in School?*
  - Cary Siegel

## Websites

- [360FinancialLiteracy.org](https://www.360financialliteracy.org)
- [IFEonline.org](https://ifeonline.org)
- [MyMoney.gov](https://www.mymoney.gov)

## Podcasts

- [Marriage, Kids, and Money](#)
- [Rich Dad Radio Show](#)
- [So Money](#)
- [The Dave Ramsey Show](#)

## Mobile Apps

- [Acorns](#) (Tiered pricing options)  
Micro-investing for your spare change
- [Empower](#) (Free and paid options)  
Track spending, manage subscriptions, get tips for negotiating bills
- [Mint](#) (Free)  
All of your accounts in one place;  
build/track budgets, pay bills, check your credit score